Notes from Dr. Daniel Fine for STTC hearing - August 25, 2015

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* The United States Southwest and North Dakota is the target of an oil price war between OPEC and Non-OPEC oil supply.

* It is Saudi Arabian production and operating costs (low) against shale or unconventional high cost producers.

* The war began when OPEC refused to cut production last Thanksgiving when the Brent and WTI price sharply declined. This represented a historic change as OPEC would no longer cut its supply of world oil to sustain its price.

* From a low WTI price in March of $44.00 there was a $15.00 rally in which most hedged forward at 69-73.

* Saudi Arabia retaliated to attack the hedge strategy of the U.S. oil industry and has pushed the price down to under $40.00.

* OPEC was assisted by the geo-economic event of China's currency devaluation which followed the Chinese-led super commodity boom of 5 years.

* New oil production is reaching a record and could close over 140 million barrels in 2015 because of industry operational resilience and technology. This includes re-negotiated contracts with service companies and infrastructure owners.

* Outlook for New Mexico now reflects the oil price war in which more supply adds up to lower prices -- economics must be understood as the determinant of price.

* How long is this duration of a low price environment and what is a the "cycle" and "boom and bust" economics.
  WHAT DOES OPEC WANT FROM NEW MEXICO OIL PRODUCERS?

* Price moves on the upside now depend on geopolitical events (see, my column in the Farmington Daily Times Energy Magazine and the Sunday edition for August 8 and 16th). Events presented with analysis and price impact consequences.